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LEPS: ENTREPRENEURIAL GOVERNANCE; SOFT STATE SPACES AND INNOVATIVE PRACTICES

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Research Project: 2011-2014

From Regionalism to Localism: Cross Country LEPs

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• Newcastle

• Leeds

• Birmingham

• Plymouth

• Bristol

SCOPE & FOCUS

Identify the relationship between industrial strategy and economic development strategy

Can Local Enterprise Partnerships (LEPs) dynamise growth?

Comparative analysis of the strategic priorities, ways of working and interventions of case examples of LEPs

Identify key opportunities, dilemmas and future directions: LEPs as a conditional localism...

Context

Since David Harvey's celebrated analysis of the transformation in governance *from managerialism to entrepreneurialism*, there have been some powerful shifts

- Global credit-crunch and economic crisis
- Eurozone sovereign debt crisis, such as Greece, Portugal and Italy
- Age of austerity and public sector retrenchment
- Need to do 'more with less' – pro-business policies

England

- No statutory duty to deliver economic development interventions
- Many local authorities have dismantled special teams, arms-length companies and delivery vehicles
- Suite of new programmes and initiatives (but funding light)
- Demand is rising but capacity is diminishing
- Philosophy of 'rolling back' the *Big State* to unleash a *Big Society* revolution
- Privileged position for private interests - 'the market knows best'

From managerialism to entrepreneurialism

- From control (of Labour; 2009 Act) to steering and facilitation (of the Coalition; 2011 Act)
- The liberation of private enterprise
- Flexibility, responsiveness, experimental ethos and innovative capacity
- Economic partnerships to cajole private sector actors in order to realise 'public' ambitions

Frameworks for Understanding

1. Entrepreneurial Governance
2. Soft State Spaces
3. Localism

Entrepreneurial Governance

1. **Public-Private Partnership** – boosterism integrated with state powers
2. **Speculative** – in execution and design rather than needs focussed
3. **Spatial repositioning** – the political economy of place rather than of territory in order to induce external investment

Harvey, 1989

- Not necessarily a 'hands-off' role for governmental actors but intervention with a different ethos and political ideology
- A 'front-seat' role for business interests but also a 'back-seat', yet omnipresent and powerful role for the state
- New governance entities emerge, each with variable degrees of:
Supportive institutional architecture; Legislative powers; Political backing;
Policy prescriptions; Flexibility; Funding; Democratic accountability; Styles
of leadership; and Public participation, scrutiny and monitoring

Entrepreneurial governance strategies

- Public-private ventures, organisations and partnerships
- Governance arenas, networks and boards composed of non-governmental as well as governmental actors
- Territorial focus more respectful of 'functional' economic areas rather than administrative boundaries
- Pro-growth, market-based and business-focussed policies
- Flexible and responsive labour markets including welfare to workfare policies
- Focus on *opportunities* over *need*
- Retrenchment of public financial support and the transfer of responsibilities to other actors, specifically private business
- Public inducements and incentives to leverage private investment

Soft state spaces

- Refer to the emergence of **‘alternative administrative geographies’** in the context of new governance arrangements for spatial planning and regional development in the UK
- Represent a deliberate **attempt to introduce new and innovative ways of thinking**, particularly in areas where there is significant resistance to cross-sectoral and multi-actor governance approaches.
- are viewed as a policy tool **facilitating the cross-sectoral policy coordination ambitions** of strategic spatial planning

Haughton & Allmendinger, 2008

Walsh et al, 2012

Localist Discourse

□ Localism as **LOCAL AUTONOMY**

- ▣ freedom from central interference
- ▣ freedom to effect particular outcomes
- ▣ reflection of local identity

Pratchett (2004)

Local autonomy refined...

1. Conditional localism

- Some autonomy afforded to the local level
- Within a 'targetry regime', e.g. Public Service Agreements
- Sub-national state spaces to deliver outcomes as defined by 'the centre'

cf Labour 1997- 2010

= a 'steering centralism' or 'muscular localism' = policy coherence?

Corry and Stoker, 2002; Bentley, 2006

2. Representative localism

- Local actors or spaces of governance have a clear constitutional position in a democratic system
- Chain of democratic accountability is the defining feature
- Entails subsidiarity
- Elected mayors

...Is 'true' localism (Cox,2010)

3. Community localism

- Involves devolution of power to local communities
 1. Commissioning community localism in which the central state performs a commissioning role and devolves responsibility for running a service or delivering a specified policy goal
 2. Community asset localism involves the centre in assigning all responsibility for running a service or managing an asset to the community

Hildreth, 2011

LEPS

“A new culture and style of generating growth cannot be introduced overnight. What’s important is to get business at the heart of a strategic vision and a coordinated, targeted effort. Where Regional Agencies failed is that they thought waving a magic wand of money would cure all ills...LEPs know better. And they also know that growth takes time”

Denys Shortt, chair of the Coventry & Warwickshire LEP,
since resigned

The role and function of LEPs

Role	Governance	Geography
<ul style="list-style-type: none">- Provide strategic leadership; setting out local economic priorities- Help rebalance the economy towards the private sector; creating the right environment for business- Tackle issues such as planning and housing, local transport and infrastructure priorities, employment and enterprise, the transition to the low carbon economy and in some areas tourism	<ul style="list-style-type: none">- Collaboration between business and civic leaders, normally including equal representation on the boards of these partnerships- Work closely with universities and further education colleges- A prominent business leader should chair the board- Sufficiently robust governance structures- Proper accountability for delivery by partnerships	<ul style="list-style-type: none">- Better reflect the 'natural' economic geography; covering the 'real' functional economic and travel to work areas- Expect partnerships would include groups of upper tier local authorities, which would not preclude that which matches existing regional boundaries

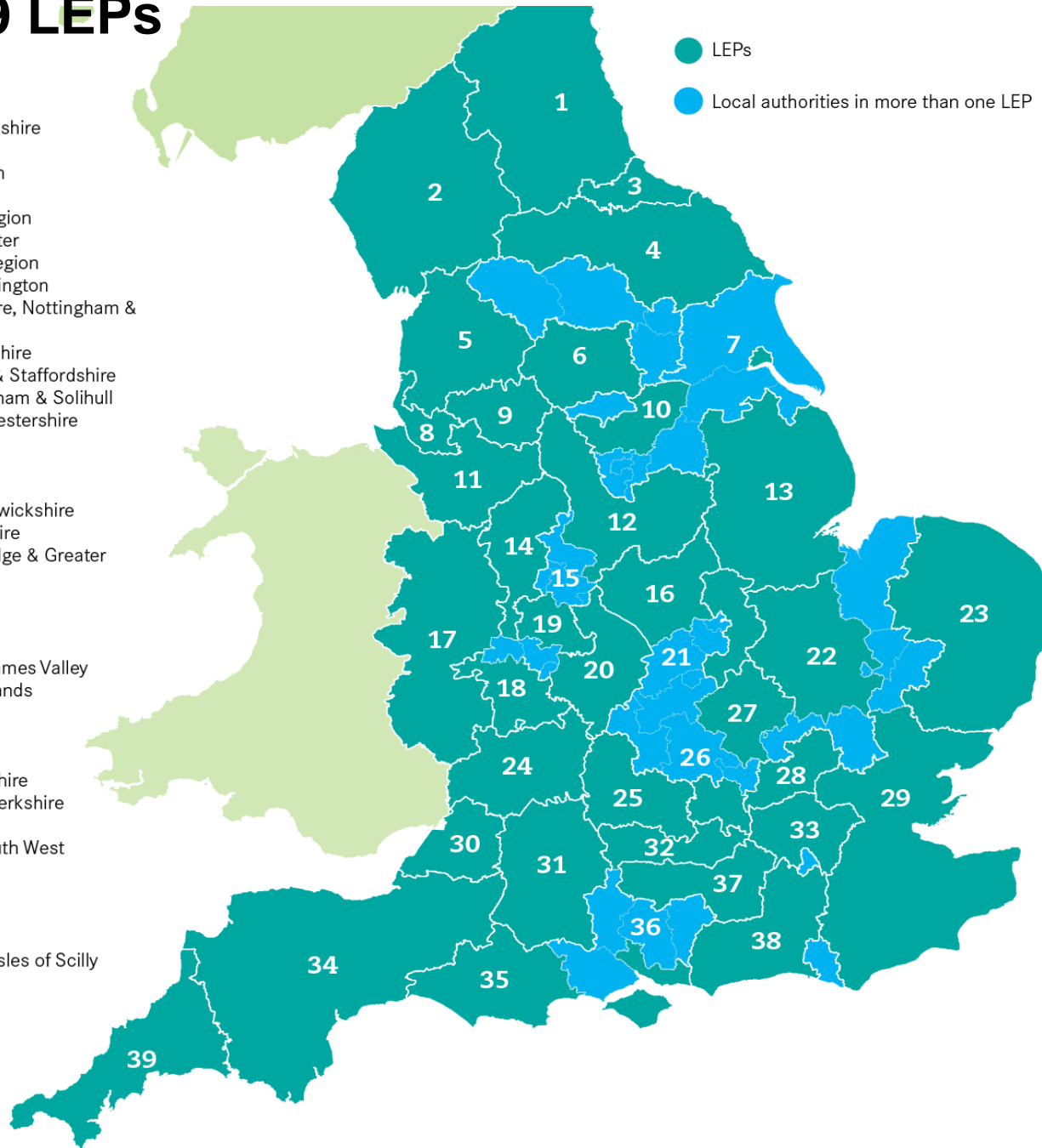
Source: Pugalis, L. (2011): 'Sub-national economic development: where do we go from here?', *Journal of Urban Regeneration and Renewal*, 4(3), 255-268.

The 39 LEPs

1. North Eastern
2. Cumbria
3. Tees Valley
4. York & North Yorkshire
5. Lancashire
6. Leeds City Region
7. Humber
8. Liverpool City Region
9. Greater Manchester
10. Sheffield City Region
11. Cheshire & Warrington
12. Derby, Derbyshire, Nottingham & Nottinghamshire
13. Greater Lincolnshire
14. Stoke-on-Trent & Staffordshire
15. Greater Birmingham & Solihull
16. Leicester & Leicestershire
17. The Marches
18. Worcestershire
19. Black Country
20. Coventry & Warwickshire
21. Northamptonshire
22. Greater Cambridge & Greater Peterborough
23. New Anglia
24. Gloucestershire
25. Oxfordshire
26. Buckingham Thames Valley
27. South East Midlands
28. Hertfordshire
29. South East
30. West of England
31. Swindon & Wiltshire
32. Thames Valley Berkshire
33. Pan London
34. Heart of the South West
35. Dorset
36. Solent
37. Enterprise M3
38. Coast to Capital
39. Cornwall & the Isles of Scilly

LEPs

Local authorities in more than one LEP



LEPs: Scope for Action?

- A particular variant of entrepreneurial governance, soft state spaces and localism
- Multi-scalar governance arrangements in which an amalgam of sectoral, governmental and non-governmental societal actors with different spheres of influence or jurisdictions come together to achieve or support some shared objectives
- Represent new scalar forms of organisation or territorial permanences in which economic problems can be reframed and (alternative) solutions proposed
- Potential to be spatially diverse, thus offering scope for local ingenuity, enterprise and creativity

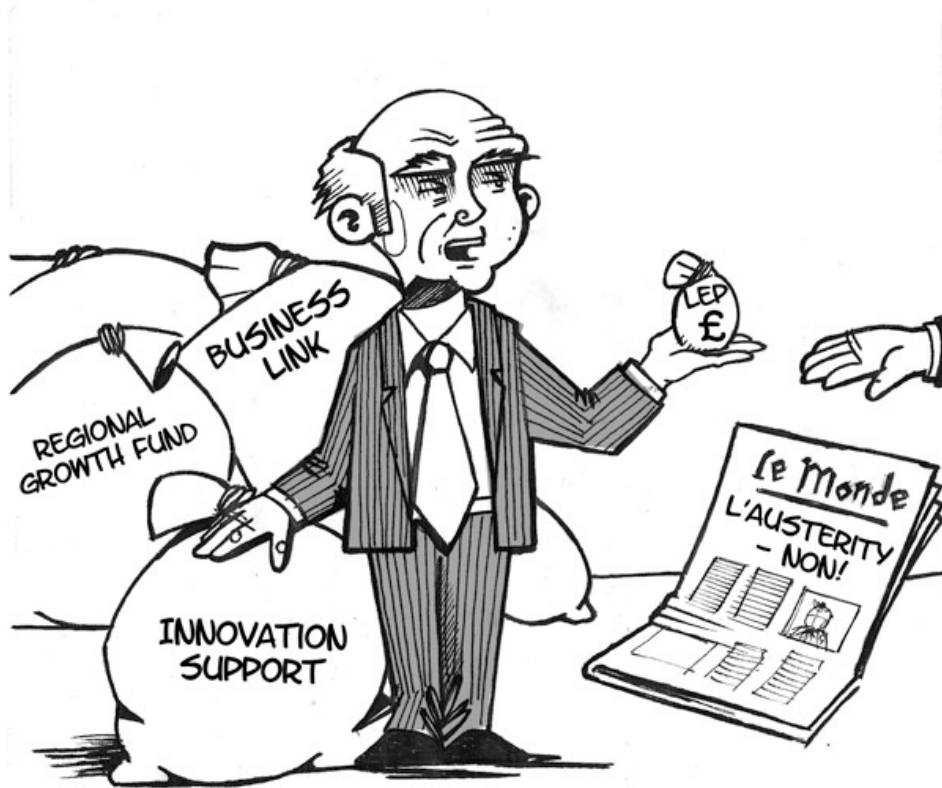
Developing as non-statutory entities, and in many cases without a legal personality, **LEPs are a prime example of softer spaces of entrepreneurial governance; utilising informal processes and exchanges to conduct business**

Provisions of the Localism Act 2011

Regional Strategies	Act abolishes Regional Strategies and in effect makes the regional tier of administration redundant.
Statutory position of Local Enterprise Partnerships	There is no statutory role laid down for these voluntaristic partnerships.
General Power of Competence	Local authorities are enabled to do anything that individuals generally may do, including things unlike anything that other public bodies do, provided they do not break other laws.
Transfer of Powers	Enables Ministers to transfer local public functions from central government and quangos to local authorities, Combined Authorities and Economic Prosperity Boards (the latter are enabled by making provisions under the <i>Local Democracy, Economic Development and Construction Act 2009</i>)
Elected Mayors	Mayoral Development Corporations can be set up, to secure the development of the locality covered by the Mayoralty.
Control over budgets and in particular, local business rates	Provides scope for using rates for economic development purposes; enabling local authorities to offer business rate discounts.

Bentley, G. & Pugalis, L. (2013) 'New directions in economic development: localist policy discourses and the Localism Act', *Local Economy*, 28 (5).

WHAT THE MINISTER SAID



Go do it!

WE'RE RELYING ON YOU LEP'S TO REBUILD
OUR ECONOMY... NOW OFF YOU GO

Funding directly available to LEPs

Start up Fund	A one-off £5m national fund available via a competitive bidding exercise.
Capacity Fund	A £4m national fund available over four years via a competitive bidding exercise. LEPs precluded from using funds on staffing.
Core Funding	A £24m funding package; an interim £5m to draw down in 2012/13 and up to £250,000 per LEP per year for 2013/14 and 2014/15 with the expectation that local match funding will be provided.

Bentley, G. & Pugalis, L. (2013) 'New directions in economic development: localist policy discourses and the Localism Act', *Local Economy*, 28 (5).

- Average of about £237,000 per LEP over a four-year period
- Core Funding (£250,000, matched) to provide LEPs with 'financial stability'
- So LEPs are doing economic development on a shoestring
- Competitive bidding for other funds...

Funding: Constrains LEPs actions?

- GPF – allocated not bid for, but goes to councils
- RGF – decided by Government; goes to firms
- Enterprise Zones – bidding regime; Govt decides
- City Deals – cities only = *fragmentation*
- Single Pot? – Heseltine's idea; wait for the budget

Constrained freedom, yet allows innovative actions



INNOVATIVE PRACTICES?

INNOVATIVE ACTIONS IN 2011/12

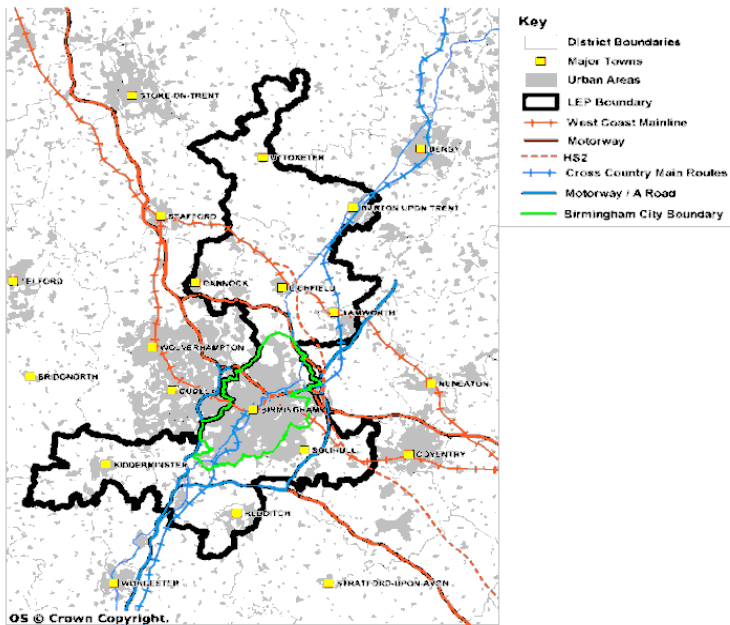
Greater Birmingham and Solihull	Obtained £25m Regional Growth Fund linked to £100m funding for an Advanced Engineering Supply Chain Fund, a cross-LEP bid. Also identified key areas where a number of 'quick wins' can be made by changing the approach to regulatory enforcement.
Black Country	Is to undertake a review of the planning and development process as a means to ensure the Black Country can continue to attract investment, bring forward development opportunities and deliver economic growth. To make a 'Policy Pledge' in a Business Friendly Planning and Development Charter.
Coventry and Warwickshire	The LEP office is located in Jaguar Land Rover at Gaydon. Local authorities and other partners have provided funds to resource two members of staff. A Finance Group has been set up to look at improved access to finance for businesses.
West of England	Established a web portal Business Navigator to become a hub of business support signposting for Bristol, Bath and beyond to support SMEs.
York, North Yorkshire and East Riding	Collaborating with local banks and the British Banking Association to develop a Certificate in Business Growth.



Case Example: Greater Birmingham & Solihull LEP

Greater Birmingham & Solihull

Functional economic geography?



Ignores broader supply chains and links with the Black Country, Coventry and Warwickshire

The development of LEP propositions

- 9 local authorities
- Was a call for a region-wide LEP – Business Voice West Midlands
- ‘Guess who’s coming to dinner’ situation during the bidding process
- BCC provide the secretariat and are the dominant local authority

Birmingham: Strategic Priorities

- Our Strategy for Growth is a bold agenda for change designed to create the conditions necessary for long-term sustainable growth, and ultimately enable us to become a globally competitive city region.... We will:
 - ▣ Increase GVA by more than £8bn by 2020
 - ▣ Create 100,000 private sector jobs by 2020
 - ▣ Boost indigenous and inward investment
 - ▣ Achieve global leadership in key sectors
 - ▣ Build a world class workforce

Greater Birmingham & Solihull LEP

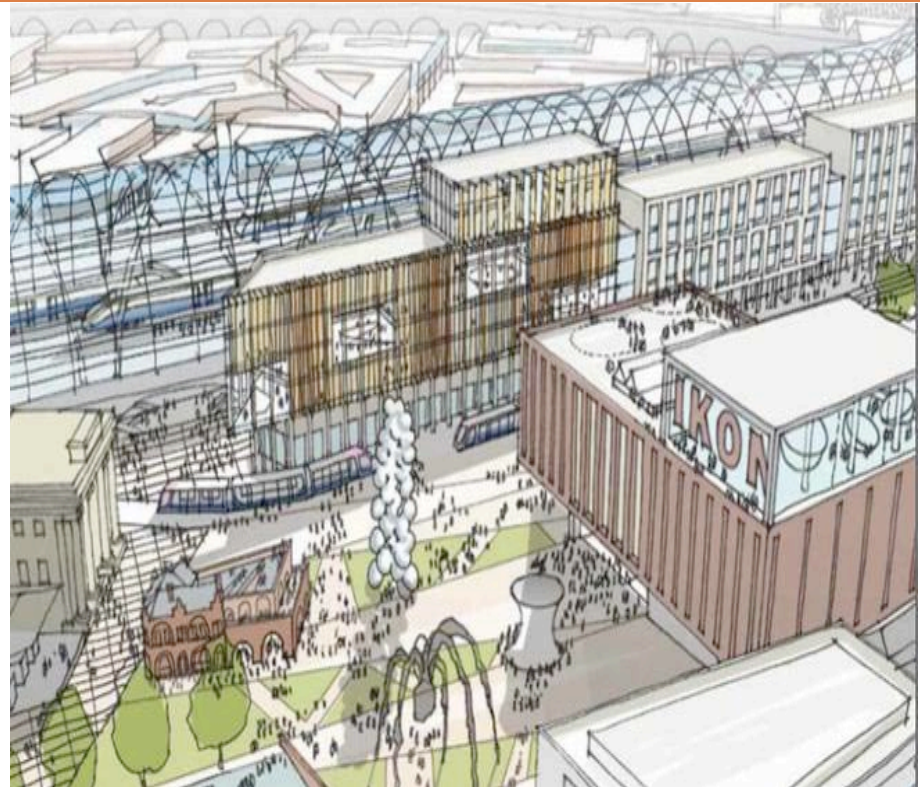
The role of business interests?

- Pro-active in drawing up and developing strategy
 - Has worked to understand the structural issues that had obviated the successful implementation of previous regional economic plans
 - Took lead in presenting at Annual Review meeting
 - Conduit to Ministers
- “We have a partnership that that has brought together business and political leaders with a shared vision for making this the easiest place in Europe to set up and run a business”.

Birmingham Creative City Partnership

“The creative and cultural sectors are incredibly important to the LEP area, attracting visitors and creating jobs.....

- Brings together 11 partners Memorandum of Understanding signed.
- Shows collective intention to improve future growth to develop creative skills, grow cultural businesses and improve the offer to visitors and residents.
- Explores ways to unlock private sector and philanthropic support for culture, linking cultural development to wider economic growth.



Speculative Development : The EZ: TIF unlocks development potential

“TIF is a potential funding model whereby the Local Authority borrows to fund the Capital infrastructure works to enable the redevelopment, and uses the potential additional business rates to fund the expenditure”



- 7 clusters of 26 sites
- Focus on Financial and Professional services, ICT sector, Creative Industries and Digital Media
- Will provide:
 - ▣ Investment via retained business rates to unlock development sites i.e. TIF model
 - ▣ Simplified planning process via two Local Development Orders
 - ▣ Support for super fast broadband
 - ▣ Business Rates relief to support SMEs

Integrated Strategic Planning: Combining Sectoral and Spatial Development Priorities

Our ambitions for growth and development – both housing and employment – are achievable and can be delivered via existing and emerging development plans



- We need to develop and explore new and innovative ways of leveraging the assets within the region to unlock long-term growth:
- Providing the housing and employment land needed, and aligned to economic growth
- Leveraging private sector capital to speed up development and maximise impact
- Creating a planning environment that supports sustainable growth
- Supporting a real sense of place in the region

... more recently



- Greater Birmingham Growth Review
- “The big shift I’ve been trying to advocate is Britain’s provinces should play a much bigger role in determining their own destiny. It will not change things overnight but in the longer term it puts the dynamic into the hands of local people” (Heseltine, 2013).



The hardening of soft spaces...?

Statutory functions and 'hard' responsibilities

- Combined Authorities
- Economic Prosperity Boards
- Localism Act – Transfer of Powers
 - Enables Ministers to transfer local public functions from central government/quangos to *permitted authorities*
 - ▣ i.e. LAs, Combined Authorities and Economic Prosperity Boards (the latter are enabled by making provisions under the Local Democracy, Economic Development and Construction Act 2009)
- Heseltine proposals - 59 funding sources into a single pot (£58bn over four years)

The unofficial 'frontrunners' and 'laggards'

- Multi-speed and multi-directional LEPs
- Coalition will not hold back the frontrunners
- Variety of informal LEP hierarchies and typologies
 - ▣ City Region LEPs
 - ▣ LEPs with EZs
 - ▣ LA-led LEPs
 - ▣ 'Refashioned' LEPs
 - ▣ LEPs with legal personality
 - ▣ 'Steering and cheering' LEPs
 - ▣ 'Intermediating consultative' LEPs

Lessons learnt

- “the LEP is just a brand for us” (Interviewee)
- Many LEPs are merely ‘refashioned existing partnerships’ – was the upheaval worth it?
 - ▣ Considered a forward step by some and backward leap by others
- Business involvement does not work like a magic wand
 - ▣ Incentives and tools still lacking
 - ▣ Worry that initial interest will wane in some LEPs
- Government’s transitional plan - programme of change completed by March, 2012. Rebuilding process will take much longer
- Underestimation of the challenge
- Government have started to return powers/roles to LEPs that were taken, following the dismantling of regions

Concluding remarks

“Vince Cable told me ‘it is remarkable in Liverpool. You are ahead of the game’” (Rod Holmes, The Mersey Partnership chair and board member of the Liverpool City Region LEP)

“The Liverpool City Region LEP may well be busy, but it’s all but invisible. Just wish the LEP would start to communicate” (respondent)

Localism

- *Localism in action* exposes the controlling tendencies of central government.
- Uneasy relationship between centralised powers, conditional decentralisation and fragmented localism
- Emergent practice demonstrates that ‘constrained freedoms’ can be negotiated to undertake innovative actions

Beyond boosterism: hardening of soft spaces

1. **Public-Private Partnership** – boosterism needs to be backed up with powers and resources
2. **Speculative** – short-term ‘wins’ and ‘jobs at any cost’ interventions need to be limited
3. **Spatial repositioning** – the distinctive political economy of place needs to inform inward as well as outward facing strategies

The hardening of soft spaces?

- Detracts from the principles associated with 'fleet-of-foot' partnership arrangements
- However, it would provide legal, statutory, financial and/or democratic credentials

Potential Models

- Combined Authorities
- Economic Prosperity Boards
- Metro Mayors



Key opportunities

- “the LEP is just a proxy for all of the organisations that form part of the partnership” (Interviewee)
- Locally distinctive and responsive
- Flexibility; incentivised regime of localism likely to favour some LEPs
- “Businesses want to see LEPs given statutory status, and incentivised to work together on strategic issues such as transport policy, foreign investment, economic analysis, innovation, and industrial policy” (John Cridland, CBI director general, 2012)

Key opportunities

- Enterprise Zones may generate a revenue stream
- Stronger role in prioritising funding bids – Regional Growth Fund, Growing Places Fund ...
- The ‘official’ conduit for government
- Bespoke arrangements, Deals and further devolution
 - ▣ Local Transport Boards from 2015
 - ▣ LEPs to prepare ‘local growth’ plans and to be given a role setting skills strategies
 - ▣ Birmingham and Humber Growth Review – Heseltine to work with the LEP to look at implementing his recommendations
 - ▣ Role in the 2014–20 Structural Funds

Some notable dilemmas

- Progress to date is “cause for concern” (Centre for Cities, Oct 2011)
- Myopic focus – create jobs at all costs
- “broader social-economic issues” considered a distraction (Edwin Booth, chair of Lancashire LEP) e.g. poverty, race, gender, youth
- Beyond Boosterism – Big plans, visions and statements backed up by little action
- New geographical complexity – e.g. no overlay with NUTS2 regions used for EU Structural Funds
- The ‘official’ conduit for government – State-induced mission creep that was a decisive factor that undermined the role of RDAs
- Wasted competition – 32 places made a pitch for the Green Investment Bank including Newcastle, Durham, Sunderland and Tees Valley (4 LAs, 2 LEPs, 1 Region)

Some notable dilemmas

- “Too many LAs actually want the LEP to fail” (Interviewee)
- LEPs should “name and shame” LAs that obstruct their plans for growth (Pickles, 2012)
- Many are not legal entities – so unable to own assets, trade, borrow money ...
- Faltering economic recovery: what are LEPs going to do and are they equipped to deal with major economic shocks?
- “I undertake regular visits to LEPs across England and periodically review progress” (Prisk, 2012)
- No official monitoring of LEPs – how will they be judged and who will be the judges?

Future directions

- LEPs and similar contemporary entrepreneurial governance entities are expected to adapt, respond and mobilise whatever resources they have by operating outside the formal spaces of government, but crucially filling-in the softer spaces of governance 'where things get done'
- New industrial and employment strategies are required for places embarking on the next 'wave' of economic development



CONCLUSION



- Emergent practice demonstrates that ‘constrained freedoms’ can be negotiated to undertake innovative actions
- *Localism in action* exposes the controlling tendencies of central government
- Uneasy relationship between centralised powers, a conditional decentralisation and fragmented localism

Cartoon credits



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Further material

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